

APPLICATION PROCEDURES FOR POOLING STATE LEASES TABLE OF CONTENTS

I. Negotiating a Pooling Agreement

Subchapter E of Chapter 52 of the Texas Natural Resources Code, V.A.T.C.S., provides the statutory authority for pooling State Leases. The School Land Board ("Board") must approve the pooling of State Leases (except leases covering highway right of ways, which give the Lessee pooling authority) and the Commissioner of the General Land Office ("GLO") must find that the pooling is in the best interest of the State. Section 52.076 of the Code provides that the Board may pool or bring an action to force pool unleased riverbeds and channels. The pooling of State leases or lands are for the purpose of conservation and utilization of the pooled mineral(s), to prevent waste, to facilitate orderly development and to preserve correlative rights.

To file a Pooling Application, send a completed copy of the Pooling Application and a \$100.00 application fee to:

Texas General Land Office
Attention: Energy Resources/Mineral Leasing P.O. Box 12873 Austin, TX
78711-2873

The application and supporting data must be submitted to the GLO at least 15 working days prior to the meeting at which the Board is to consider the application. The Board usually meets the first and third Tuesdays of every month at 10:00 a.m. in Room 170, Stephen F. Austin Building, 1700 North Congress Avenue, Austin, Texas. The applicant or a representative of the applicant may want to attend the Board meeting in case any questions arise.

The primary pooling contacts: RRC Districts:

<u>Ladell Collier, P.G.</u>	<u>1,2,3,4</u>	<u>512-475-1441</u>
<u>Tracey Throckmorton, P.G.</u>	<u>5,6,7B,9</u>	<u>512-475-1500</u>
<u>Ronald Widmayer, P.G.</u>	<u>7C,8,8A and 10</u>	<u>512-475-1508</u>

II. Information to be submitted with the Application

1. All pooling agreement applications must be accompanied by a legible, accurate plat. Submit plat both as hard copy and electronically (coverage, shapefile or geodatabase), or georeferenced CAD files acceptable, when available. Plat to be at a scale of 1" = 1,000' and include an accurate bar graph. If necessary, submit the large area plat at a scale of 1" = 2,000'. The plat shall include all of the following:

- a. Point of beginning.
- b. Two (2) known coordinates.
- c. Field notes/metes and bounds.
- d. Section and abstract numbers with survey names, county names, block names, lot, subdivision, etc.
- e. Indicate all state leases by shading or hatching. Identify the state lease (MF) number(s), if applicable.
- f. A north arrow.
- g. Surface locations for all directional and horizontal wells, indicating the penetration points and terminus locations of all bottom hole(s). Include length of lateral if horizontal well.
- h. Note the 10-digit API number at the surface locations.

For any questions or comments concerning the above information, please contact "Zeke" Guillen, at 512-936-4104 or at Ezequiel.Guillen@glo.state.tx.us.

- 3. Operator's Tax ID Number.
- 4. RRC Form W-1, W-2, or G-1, as applicable.
- 5. Date of first production and sales from unit well(s), if applicable.
- 6. Unit and regional maps:
 - a. Include structure, isopach, productive limits, time slices, etc...
 - b. Include unit outline on all maps submitted.
 - c. With seismic maps provide several strike, dip, and/or arbitrary lines across the area of interest and several time slices through the zone of interest.
- 7. Type log showing primary and secondary objectives with formation tops annotated.
- 8. Cross-sections, as appropriate.
- 9. Completion and production data for wells drilled in the general area

of the unit. (Generally, within one mile and other significant wells).

10. Geologic tops and other data for significant wells in the area.
11. For unit wells or other significant wells, include the following reservoir engineering data: porosity, permeability, initial and current reservoir pressures, bottom-hole temperatures, oil and gas gravity, estimation of the aerial extent of the reservoir, and gross and net sand thickness.
12. Copy of recorded Designation or Declaration of Pooled Unit or Unit Agreement if available. This is applicable when the State is going to ratify a unit rather than using the State's form of Pooling Agreement. Examples would be when the state leases(s) is/are free royalty lease(s), secondary recovery units and pooling unleased riverbeds into an existing unit.
13. Analog field and special field rules, where applicable.
14. Names of all working interest owners who will join in the execution of the Pooling Agreement.
15. Names and respective capacities (e.g., president, vice-president, attorney-in-fact, etc.) of the persons authorized by the working interest owners to execute the agreement.
16. Names of all owners of the soil who have not authorized pooling and will be executing the agreement.
17. A gradient boundary survey may be required of riverbeds if the entire State lease is not included in the unit, or for unleased riverbeds, if a sufficient legal description and/or acreage estimate is not available.
18. Other pertinent data.

NOTE: Geologic maps, electric logs, seismic records, and other such data are kept confidential and do not become public record. Basic electric logs follow Railroad Commission confidentiality requirements.

III. Miscellaneous Notes on Pooling

The Board's policy is to approve a temporary or fixed term unit agreement if the unit well has not been drilled and completed or the proposed unit acreage has not been drilled to density. A permanent unit may be approved after the unit well is drilled and completed or if the proposed unit acreage has been, or will be drilled to density. Please indicate which situation is applicable. If a temporary unit is initially approved, a new application for making the unit permanent, or extending

the temporary unit, is required, and should be filed prior to the expiration date of the temporary unit. Pooling agreements covering unleased riverbeds usually require a consideration payment to the State and the State's participation is usually based on the State receiving a 25% royalty.

All applications are reviewed by the Pooling Committee, which makes recommendations to the Board. The Pooling Committee consists of representatives from the Texas General Land Office, the Governor's Office, and the Attorney General's Office.

A personal appearance before the Pooling Committee is not required by the applicant or a representative of the applicant. However, an appearance may be beneficial if the application is complex or the Pooling Committee informs the applicant that the committee will not recommend approval of the application. A meeting with the Pooling Committee will be scheduled at a mutually agreeable time.

The Pooling Committee will prepare a Pooling Committee Report that will be presented to the Board either recommending approval or denial of the proposed unit. A plat showing the outline of the unit with well locations will accompany the Report and be shown at the Board meeting.

After approval of the application by the Board, a Pooling Agreement or Ratification, if applicable, will be prepared by the General Land Office for execution by the applicant and then the Commissioner.

Application is not required for leases covering highway rights of way, however the lease does require that a copy of any pooling agreement or designation affecting the lease, be furnished to the GLO within 90 days. Application and Board approval is only required when the size of the unit exceeds the pooling authority granted in the lease.

IV. SURFACE COMMINGLING OF STATE LEASES

Please be advised that pursuant to the terms of certain state leases, the lessee **must** obtain permission from the GLO before commingling state oil and/or gas lease production with private lease production or other state lease production in accordance with Texas Administrative Code, Title 31, Part 1, Chapter 9, Subchapter C, Section 9.35 (a) (3) which provides in part as follows:

"(3) Lessee must obtain written permission from the GLO staff before commingling state production with private production or before commingling state oil and/or gas from two separate leases, separate reservoirs or multiple stratigraphic or lenticular accumulations."

For any questions or comments concerning commingling, please contact Matthew Scott, P.E. at 512-475-2230 or at matthew.scott@glo.state.tx.us